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C O N F I D E N T I A L SECTION 01 OF 02 MINSK 000216

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TAGS: [ECON](#) [PGOV](#) [BO](#)

SUBJECT: ENTREPRENEURS HOLD SMALL ANTI-GOB RALLY

REF: A. 06 MINSK 292

[1](#)B. 05 MINSK 295

Classified By: Ambassador Karen Stewart for reason 1.4 (d).

Summary

[1](#)1. (C) On March 12, 300 small entrepreneurs, mostly market vendors, gathered peacefully to protest new regulations. Executive order number 760, in particular, would force all but the smallest business to re-register and potentially put many out of business. Despite the unanimous opposition to the executive order, disagreements between would-be small business leaders make mobilization of a larger mass of entrepreneurs extremely difficult. A number of senior opposition leaders participated. End summary.

Peaceful Protest Draws 300 Small Business Owners

[1](#)2. (C) On March 12, 300 people, mostly entrepreneurs, gathered in Minsk's Bangalore Square to protest against Lukashenko's executive order number 760 (described in paragraph 4). The protest was organized by "Our Belarus," an NGO led by Igor Lednik, a former businessman who was jailed for eight months in 1999 for alleged embezzlement, and then again for ten days in the run up to the fraudulent 2006 presidential election (ref A). Aleksandr Makayev, Chair of the Coordinating Council of Individual Entrepreneurs in Minsk, told Deputy Pol/Econ Chief that organizers had hoped for over 1,000 participants. Press reported authorities detained at least one person en route to the demonstration from Grodno.

[1](#)3. (C) "Our Belarus" wants executive order number 760 declared unconstitutional, on the basis that Lukashenko was not the lawful president when he signed the order. However, Makayev admitted that most entrepreneurs dislike it when "Our Belarus" organizers try to explain to them that the order should be overturned because Lukashenko's rule is illegitimate. Small business owners feel such talk is about politics, and they want to stick to purely business issues, according to Makayev. While opposition politicians did attend the rally, organizers kept the focus on executive order number 760 and at the beginning asked BSDP supporters to put away a banner calling for the release of political prisoner Aleksandr Kozulin. [Note: Poloffs saw former presidential candidate Aleksandr Milinkevich, two Belarusian Social Democratic Party (BSDP) deputies and former political prisoner Sergey Skrebets at the demonstration, but not democratic coalition leaders Anatoliy Lebedko and Vintsuk Vyachorka, who also attended according to the press. End note.]

14. (C) While the government has publicly stated small- and medium-sized enterprises must play a bigger role in the economy, recent policy changes make it harder for SMEs to survive. Executive order 760 forbids those registered as individual entrepreneurs from employing more than three people who are not immediate family members. In addition, the regulation forbids market vendors from trading in several lucrative categories of goods, including fur coats and perfume. To make matters worse, local sales taxes increased from two percent last year to ten percent (15 percent on imported items). Vladimir Karyagin, Chair of the Minsk Capital Association of Entrepreneurs and Employers, said his association told the government seven percent was the absolute maximum most businesses would be able to bear. Roman Osipov of the investment consultancy Uniter told us it will take the GOB at least five years to enact meaningful reforms to increase the percentage of Belarus' GDP generated by SMEs.

As Usual, Opposition to the Regime is Divided

15. (C) Karyagin and Belarusian Popular Front Deputy Ales Mikhalevich had predicted a lackluster turnout at "Our Belarus" demonstration. Karyagin suggested a lack of organizational skills by Our Belarus' publicist Sergey Balykin indicated overall weaknesses in the organization. Mikhalevich told Poloff that Lednik did not have broad support among entrepreneurs.

16. (C) Our Belarus had no assistance from other

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organizations in preparing the demonstration. Lednik told us others claiming to represent vendors, the NGO Perspektiva's Chair Anatoliy Shumchenko (ref B) and United Civic Party (UCP) activist Viktor Gorbachev, actively opposed Our Belarus' efforts because they are intent on political negotiations rather than demonstrations. Gorbachev told Ambassador he is working instead on an 'economic constitution' under development by Karyagin's organization. Mikhalevich said Shumchenko wanted to hold off on rallying vendors until they were politicized by the impending January 1, 2008 effective date of most of executive order 760's provisions. UCP Deputy Lyudmila Gryaznova countered that organizers of the March 25 demonstration on the anniversary of Belarusian independence would like to have the support of vendors.

Comment: Opposition Unable to Tap Vendors' Frustration

17. (C) It is important that domestic pressure, however small, continues against Lukshenko's regime. Market vendors are representative of the majority of Belarusians who focus squarely on their pocketbooks when evaluating policies and politicians. Attempts by Milinkevich and the UCP to draw support from vendors would be encouraging if they formed part of a broader strategy to incorporate undecided voters into the opposition camp. Unfortunately, entrepreneurs seem even more divided than the opposition as a whole. Even if the opposition coalition could successfully align with one group claiming to represent small business, other groups and the majority of small businessmen would likely stay outside the coalition.

Stewart